23

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The Money Unit of 1792

—BY—

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The Money Unit of 1792.

Whether the money unit contemplated by the Coinage Act of 1792 was based on both metals or on one only, may not be of great practical importance to-day, yet as a link in the chain of our monetary history, and as a subject of historical research commanding no inconsiderable attention at this time, it has value enough to warrant a desire to be right in our conclusions concerning it. In the interest of historic truth, therefore, and for no other purpose, I desire to bring into distinct review the acts and the arguments of the fathers of that day who had most to do with the establishment of our monetary system relating to the vexed question of our money unit. The data which such a review will supply may be useful in guarding against error, and in aiding those who are pursuing the inquiry to arrive at conclusions upon which an honest mind can rest with satisfaction.

WHAT IS A "MONEY UNIT?"

It may be desirable at the outset to try to have an intelligent notion of the meaning of the expression "money unit," about which much may be said without making it clear; and, indeed, when we come to define it, the less we say the less we are likely to obscure it. Some of the difficulty would no doubt vanish if we avoided confounding the abstract and the concrete contents of the expression. A numerical unit is a pure abstraction. It is expressed by a figure. We manipulate figures without respect to commodities of any kind. We can say three times three are nine without considering the concrete denotement of the numbers. It may be one or more of anything you choose, as one dollar or one apple.

A numerical unit is not a creature of the law, but of the mind. A single thing is one by nature and not by legal enactment. So we cannot reach the legal contents of the expression "money unit" from the merely numerical side.

When we advance a step toward the reality and add to the numerical abstraction, the word "dollar," we have a concrete unit. Every unit of measure or weight or value must be a concrete unit; a unit expressed by a determinate amount or quantity or weight of the thing to be measured or weighed or estimated, to be be taken as a standard of comparison for other determinate amounts, quantities, or weight of like kind, and without which no kind of exchange but primitive barter could take place.

A money unit then contains this group of ideas, namely:—

First.—A numerical abstraction—a symbol for purposes of notation.

Second.—A determinate weight of precious metal or metals, as the case may be, which is fixed by law.

Third.—The denomination "dollar," also a creature of the law, which expresses the value of the predetermined weight of precious metal which constitutes the unit.

The value inheres in the metal, and not in the form of it. A certain number of grains of gold or silver in the form of a cube are just as effectually a unit of value as if in the form of a disc, for value resides in substance and not in form.

The struck coin is a thing apart. It is not the "money unit," but a thing of convenience in exchange, a certificate of weight and fineness. If it coincides with the unit in value that is an incident which gives it no character different from other coins excepting in denomination. The unit, as a mere symbol, is only the money of the mind. The struck coin is the piece for payment, and contains the value which its name expresses. The former is in view when a contract of sale is made, the latter only comes into requisition when it is executed. One is for the arithmetic of exchange, to afford

terms in which values can be expressed, the other is to effect exchanges of commodities whose value has been reduced to expression in the terms of the unit.

We have thus arrived at our definition of "money unit," namely, a given number of grains of precious metal possessing a determinate value, named "dollar" or "unit," by comparison with which the denominations of money are regulated, and in the terms of which, or the fractions, or multiples thereof, general values are expressed.

THE FIELD OF DISCUSSION.

The field over which the discussion of the fathers ranged embraces several distinct inquiries :—

First.—"What should be the unit of value?"

Second.—"Whether it should be based on one metal or both?"

Third.—"Whether it should be represented by a coin of corresponding value?"

Fourth.—"What coins should be struck to express values in the uses to which money was to be put?"

Each of these questions had distinct consideration and decision. The difficulties encountered by the Colonies and the Confederation, on account of the confused state of their money, were distinctly before the minds of the fathers when, under the Federal regime, they took up the subject of our money for deliberate and determinate treatment. Foreign coins of gold and silver were current in the country; their value varied in different States, and to know the meaning of "a pound" or "a shilling" you had to know what State you were in.

The Spanish silver dollar had, it is said, at least five different values in as many sections of the country. McMaster tells us it was not unusual for a traveler to pay bills with silver dollars in Boston at six shillings the dollar; the next

week in New York at eight shillings; some days later in Philadelphia at seven shillings and six pence, and still later at thirty-two shillings and six pence at Charleston. Gold it seems was not subject to so much variation. The value of the gold pieces expressed in dollars was pretty much the same the country over, and 24¾ grains of gold corresponded very nearly with the nominal value of the Spanish silver dollar in all the States.

Another cause of confusion was the clipping of the coin, which had been carried to such an extent that Washington suggested that before long every man would have to travel with a pair of balances in his pocket, or run the risk of being cheated. In such a state of monetary chaos it is little wonder that the people began to look to Congress for succor, and that committees were appointed to consider and report upon suitable means of unifying the money of the country.

ROBERT MORRIS ON THE UNIT.

Confronted by the necessity thus presented of a suitable monetary system for the new government, and instructed by the experience of the past, the fathers came to the consideration of the subject. The report of Robert Morris to Congress on a Coinage Scheme made on January 15, 1782, was the first contribution of great value to the disscusion of that day. That report, though it bore the name of Robert, is believed to have been wrought out chiefly by Gouverneur Morris. By way of preliminary he observed the happiness we derived from unity in our system of weights and measures throughout America, and noted the advantages we enjoyed from having throughout the Union the same ideas of a mile and an inch, a hogshead and a quart, a pound and an ounce. But with respect to our money he lamented that the case was widely different, and that the ideas annexed to a pound, shilling and penny were as various as the States themselves, rendering calculation a prerequisite to every commercial exchange. He then takes up the chief inquiry which concerns

us in this paper, namely, "Whether the money unit should be affixed to both metals or to one only?" After comparing the merits of the metals, and the arguments for and against each, he says: "There can be no doubt, therefore, that our money standard ought to be affixed to silver." The argument that led up to this conclusion was that the scale by which everything is to be measured ought to be fixed as the nature of things will permit of. And as a money standard affixed to both metals would not afford a fixed and certain scale, because if affixed to both it would in reality be affixed to neither, "for" he says, "the demand which commerce might make for either of the precious metals in preference to the other would vary this real standard from time to time, and in every payment a man would get more or less of real value for his debt, according as he was paid in the coin of greater or less value in relation to the real standard."

Mr. Morris next considers what the "money unit" should be. He says: "The purposes of commerce require that the lowest divisible point of money, or what is more properly called the 'money unit,' should be very small, but there is no necessity that the unit be exactly represented in coin; it is sufficient that its value be precisely known." This makes it quite clear that in his mind there was a distinction between the "money unit" and the sensible object which was to represent it.

Advancing his argument on this line, Mr. Morris says: "The money unit will be equal to a quarter of a grain of fine silver in coined money; proceeding then in a decimal ratio, 100 would be the lowest silver coin, and might be called a cent, while the dollar, which contains about 373 grains of fine silver at the mint price, would be 1,440 units." He does not propose the coinage of any piece of that name, but all current coins are to be rated to silver at a mint price, established at 22,237 units per pound. The great merit he claimed for his unit was that all the currencies of the States were reducible to it without a remainder.

MORRIS' CONCLUSIONS.

The points distinctly made by Mr. Morris and to be carried with us in the further progress of the discussion are: 1st. That a money unit affixed to both metals could not be stable and certain. 2d. That the money unit should be attached to silver alone. 3d. That no coin need be struck to correspond with the money unit.

THOMAS JEFFERSON'S VIEWS.

The next important contribution to the discussion is "Thomas Jefferson's Notes on the Establishment of a Money Unit and of a Coinage for the United States." These Notes, it appears, were communicated to Congress simultaneously with Mr. Morris' report in 1782. Mr. Jefferson objected to Mr. Morris' money unit because it was too small, holding that the 1,440th part of a dollar as a unit would be inconvenient in commerce. He says: "It is inconvenient in its application to ordinary money transactions. The price of a loaf of bread, $\frac{1}{240}$ of a dollar, would be 72 units. A pound of butter, $\frac{1}{5}$ of a dollar, would be 288 units. Ten thousand dollars would require eight figures, to wit, 14,400,000. A horse or bullock of $80 value would require a notation of six figures, to wit, 115,200 units." Nowhere in his Notes does Mr. Jefferson make any objection to the plan of Mr. Morris on the ground of there being no coined piece to correspond with the unit of value. He assented also to the suggestion that it was not essential that a coin be struck to correspond with the money unit. The decimal ratio, he thought, was ingenious and admirable.

In considering the unit of money, he says: "Three circumstances are of principal importance:—

"*First.*—That it be of a convenient size to be applied as a measure to the common money transactions of life.

"*Second.*—That its parts and multiples be an easy proportion to each other so as to facilitate the money arithmetic.

"*Third.*—That the 'unit' and its parts or divisions be so nearly of the value of some of the known coins as that they may be of easy adoption for the people."

It will be seen that in this enumeration of the important requisites of a "money unit" no mention is made of the metal in which the "unit" is to be represented. Gold would answer all the requirements equally with silver. He, however, goes on to say, "The Spanish dollar seems to fulfill all these conditions." His reasoning in support of this observation may be summarized as follows :—

1. As a common measure it is of convenient size.

2. The value of any amount up to $10,000 is easily estimated by the mind, so also that of the tenth or hundreth of a dollar; and few transactions are above or below these limits.

3. It coincides in value with some of the known coins so nearly that the people can quickly estimate their value.

4. The dollar is a known coin and the most familiar of all to the mind of the people.

It will be observed that none of these reasons turn upon the metal out of which the unit is to be coined, and no preference is indicated on the ground of any intrinsic or even sentimental superiority of silver over gold. There is no suggestion that silver was the money of the poor and gold the money of the rich; no suggestion of a conflict of interest between Wall street and the rural districts; between the banker and the farmer; no thought expressed of favoring one metal by attaching the unit to it, or that men "desiring to injure business by making money scarce could not so easily get hold of all the silver and hide it away as they could gold." The era of the demagogue had not yet come in.

JEFFERSON'S RECOMMENDATIONS.

In concluding his Notes Mr. Jefferson submits the following recommendations: "That the money unit of these States

shall be equal in value to a Spanish milled dollar; that it shall be divided into tenths and hundredths; that there shall be a coin of silver of the value of the unit, another of the same metal of the value of one-tenth of a unit, one other of copper of the value of one-hundredth of a unit; that there shall be a coin of gold of the value of ten units." In a supplementary paper he says: "My proposition, then, is that our notation of money shall be decimal; that the unit of this notation shall be a dollar; that coin shall be accommodated to it from ten dollars to the hundredth of a dollar."

JEFFERSON'S CONCLUSIONS.

Remembering, for the purpose of comparison, the conclusions of Mr. Morris, those of Mr. Jefferson may be summed up thus:—

First.—That the minuteness of Mr. Morris' money unit was not desirable, though the decimal ratio was admirable.

Second.—That the unit should be of the value of the Spanish milled dollar, and that a piece should be coined to correspond with it.

Third.—That the money unit should be based on both metals.

In view of the foregoing it seems difficult to conceive how any other conclusion is deducible from Jefferson's Notes than that he believed that the money unit should be based on both metals. But happily he did not leave the matter there. In his letter to Hamilton, of February, 1792, he says: "I will return you the report on the unit, which I have read over with a great deal of satisfaction. I concur with you in thinking that the unit must stand on both metals."

Morris found grave objections to Jefferson's recommendations. He thought they provided a money unsuitable to the wants of the people; that the dollar was more nearly related to the British money than to our own currency; emphasizing his objection by the suggestion that you might as well

select for American farmers a scythe used among the Alps instead of one suitable to our own fields.

VIEWS OF THE GRAND COMMITTEE.

The next contribution to the discussion in consecutive order was the report to Congress of what was called the "Grand Committee on the Money Unit," in 1785. In this report the divergent views were considered and the conclusions of Mr. Jefferson adopted. They recommend the "dollar" as the money unit on the distinct grounds that the people were familiar with the value of a "dollar;" that it had been in general use and would conform to the National mode of keeping accounts.

On July 6, 1785, Congress received the report of the Grand Committee, and on the resolution "That the money unit of the United States of America be one dollar," the yeas and nays were called and every member answered "yea."

BOARD OF TREASURY REPORT.

On the 8th of April, 1786, the Board of Treasury reported to Congress their conclusions on the expediency of a mint for the coinage of American money.

In their report they recommended a "silver dollar" as the money unit. In August, 1786, Congress adopted the following resolution:—

"*Resolved*, That the money unit of the United States, being by the resolve of Congress of the 6th of July, 1785, a dollar shall contain of fine silver $375\frac{64}{100}$ grains."

After providing for the coinage of the dollar as the highest silver coin, and the divisions thereof, halves, double dimes and half dimes, it provides, "That there shall be two gold coins, one containing $246\frac{268}{1000}$ grains of fine gold equal to ten dollars, and to be called an eagle. One containing $123\frac{134}{1000}$ grains of fine gold, equal to five dollars, and to be called a half eagle."

To this point had the evolution of our "money unit" arrived when Hamilton entered the debate with his celebrated report on the establishment of a mint. This was presented to Congress in April, 1791, and as the views therein expressed were subsequently embodied in the Coinage Act of 1792, he may be said to have given the subject its final form and finish, and his views to have received the honor of acceptance by the American people. Mr. Hamilton in this report covers the entire ground of the previous discussion, and treats the subject with a firmness of grasp and clearness of insight into the principles of monetary science only possible to his amplitude of understanding and intellectual penetration. The first inquiry to which he addresses himself is: "What ought to be the nature of the money unit of the United States?" By way of preliminary he alludes to the then existing "unit" in the money of account, which he maintained was the "pound sterling," though it could not be said to be the "unit in the coins." In the absence of legislation, usage and practice, he thought had given that character to the Spanish milled dollar. He, however, saw objections to the "dollar," because it had never had any settled or standard value according to weight or fineness, while gold on the other hand had a fixed price by weight and fineness. He says: "The greater stability of value of the gold coins is an argument of force for regarding the money unit as having been hitherto virtually attached to gold rather than to silver."

Then, again, he suggested that the variety of "dollars" then current, containing unequal amounts of fine silver, presented a difficulty in defining the particular "dollar" to which the "money unit" was to be applied, supposing it to be most applicable to that species of coin. Nor did he omit to point out the importance of applying the unit to a coin that would be conformable to the existing proportion between the two metals in this country, as

well as to that which obtains in the commercial world generally.

NO PREFERENCE FOR EITHER METAL.

He next applies his mind to the inquiry, whether or not the money unit ought to be peculiarly attached to either of the metals in preference to the other, and if to either, to which of them? The argument in this part of the report advances with so firm and sure a foot that I must at the risk of tediousness reproduce a portion of it in Mr. Hamilton's own words.

After indicating that the resolutions of Congress of 1785 and 1786, declaring the money unit to be a dollar, and providing for both gold and silver coins, were not clear in their meaning since they did not explain whether either of the two species of coins of gold or silver had any greater legality in payments than the other, and suggesting that a preference in the matter of payment was necessary to carry out the idea of attaching the unit exclusively to one metal, he says:—

"If each of them be as valid as the other in payments to any amount, it is not obvious in what effectual sense either of them can be deemed the money unit rather than the other. If the general declaration, that the dollar shall be the money unit of the United States, could be understood to give it a superior legality in payments, the institution of coins of gold, and the declaration that each of them shall be equal to a certain number of dollars, would appear to destroy that inference. And the circumstance of making the dollar the unit in the money of account seems to be rather a matter of form than of substance.

"Contrary to the ideas which have heretofore prevailed in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for those ideas, the Secretary is, upon the whole, strongly inclined to the opinion that a preference ought to

be given to neither of the metals for the money unit. Perhaps, if either were to be preferred it ought to be gold rather than silver.

"But, upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals, because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise, which, accordingly, at different times, has been proposed from different and very respectable quarters, but which would probably be a greater evil than occasional variations in the unit from the fluctuations in the relative value of the metals, especially if care be taken to regulate the proportion between them, with an eye to their average commercial value."

Later on in this report Mr. Hamilton recurs to the question of the "money unit," and concludes the discussion as follows:—

"The conclusion to be drawn from the observations which have been made on the subject, is this: That the unit, in the coins of the United States, ought to correspond with 24¾ grains of pure gold and with 371¼ grains of pure silver, each answering to a dollar in the money of account. The former is exactly agreeable to the present value of gold, and the latter is with a small fraction of the mean of the two last emissions of dollars, the only ones which are now found in common circulation and of which the newest is in the greatest abundance. The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold and 405 grains of standard silver.

"Each of these, it has been remarked, will answer to a dollar in the money of account. It is conceived that nothing better can be done in relation to this than to pursue the track marked out by the resolution of the 8th of August, 1786. This has been approved abroad as well as at home, and it is certain that nothing can be more simple or

convenient than the decimal subdivisions. There is every reason to expect that the method will speedily grow into general use when it shall be seconded by corresponding coins. On this plan the unit in the money of account will continue to be, as established by that resolution, a dollar and its multiples, dimes, cents and mills, or tenths, hundredths and thousandths."

HOW HAMILTON DETERMINED THE WEIGHT OF THE SILVER DOLLAR.

It is worth noting in this connection how Hamilton determined upon 371¼ grains of fine silver as the most suitable amount for the silver dollar. He found that the Spanish milled dollars of different dates varied in the amount of silver they contained; one containing 374 and another 368 grains, and that neither one sustained to 24¾ grains of fine gold the ratio of 15 to 1, which coincided with the difference in the coined metals as established by custom in our market and in our currency. Taking the mean of the two Spanish pieces, however, he found that the proportion conformed very nearly to the ratio of 15 to 1, so that he had only to multiply 23¾ by 15 to obtain 371¼ as the proper weight in grains for the silver dollar.

He then gives the following schedule of coins which he thinks would be advisable until experience demonstrates the necessity for others:—

"One gold piece, equal in weight and value to ten units or dollars.

"One gold piece, equal to a tenth part of the former, and which shall be a unit or dollar.

"One silver piece, which shall also be a unit or dollar.

"One silver piece, which shall be in weight and value, a tenth part of the silver unit or dollar.

"One copper piece, which shall be of the value of a hundredth part of a dollar.

"One other copper piece, which shall be half the value of the former."

He then says in conclusion: "It is not proposed that the lightest of the two gold coins should be numerous, as in large payments the larger the pieces the shorter the process of counting, the less risk of mistake, and consequently the greater the safety and the convenience; and in small payments it is not perceived that any inconvenience can accrue from an entire dependence on the silver and copper coins. The chief inducement to the establishment of the small gold piece is to have a sensible object in that metal, as well as in silver, to express the unit. The smallest of the two gold coins may be called the dollar or unit in common with the silver piece with which it coincides."

HAMILTON'S CONCLUSIONS.

Having in view the previous summing up of Morris' and Jefferson's views, the conclusions of Hamilton may now be placed for comparison beside those of his distinguished cotemporaries, as follows:—

1. That up to that time the money unit had practically been attached to both gold and silver.

2. That coin should be struck in both metals to correspond with the money unit.

3. That the money unit should be based on both metals.

THE COINAGE ACT OF 1792.

It is suitable at this point to bring into view the section of the Coinage Act of 1792, which relates to the money unit, that it may be seen whether on a fair construction it expresses the Hamiltonian and the Jeffersonian view or the contrary one.

The ninth section reads in part as follows: "That there shall be from time to time struck and coined at the said mint

coins of gold, silver and copper of the following denominations, values and descriptions, viz.: Eagles, each to be of the value of ten dollars or units, and to contain 247$\frac{4}{8}$ grains of pure or 270 grains of standard gold; half eagles, each to be of the value of five dollars, and to contain 123$\frac{6}{8}$ grains of pure or 135 grains of standard silver; quarter eagles, each to be of the value of two dollars and a half dollar, and to contain 61 7/8 grains of pure and 67$\frac{4}{8}$ grains of standard gold. Dollars or units each to be of the value of a Spanish milled dollar, as the same is now current, and to contain 371 1/4 grains of pure or 416 grains of standard silver."

SOME REFLECTIONS.

Having before us the foregoing review of the facts of the situation, the reasonings of the fathers of 1792 and the enactment which embodies their conclusions, we are in a position each according to his own light and leading to subject to suitable tests the validity of the views which have been from time to time advanced on the subject.

It will be seen that the Act of 1792 is not as explicit in defining a "money unit" as the Act of 1873, nevertheless the meaning which the language carries is free from doubt. The Spanish milled dollar was at that time a current coin. Its value was known, and that value was to be the "money unit," by the terms of which all values in commerce were to be expressed and in correspondence with which coins were to be struck. Some find a stumbling block in the fact that a coin of silver was struck and no corresponding one of gold identical in value with the ideal unit and bearing its name. But that has no tendency to prove that the "unit" was based upon that metal in preference to gold. Indeed, the contrary may be conclusively presumed from the absence of an express declaration to that effect. It will be remembered that Robert Morris, as already stated, proposed no coin corresponding with his money unit, while Hamilton thought it better to have such a coin in both metals. In many countries

there are no coins struck corresponding with the unit of value. It is well known that in Great Britain the pound sterling is the unit of value, but no coin answering to that unit was ever struck. In France and the other countries of the Latin Union, the "money unit" is the franc, yet no such piece of full legal tender money was ever struck. Our existing money unit is indisputably a gold dollar, but we coin no answering piece of money. In Spain the unit of value is the silver peseta, equal to a franc, but it is not a full legal tender coin. In Germany, when the gold standard prevails the unit of value is the "mark," but no gold coin answering to it was ever struck.

So the most superficial knowledge of the subject makes it obvious that the denomination of coins struck at the mint affords little aid in construing the Act of 1792 as to whether the money unit was based on one or both metals, for it has no more logical connection with the unit than another question mooted at the time, namely, whether the coins should contain representations of English barbarities or selections from the proverbs of Solomon and the wisdom of Franklin?

HAMILTON'S REASONING.

No one can follow the reasoning of Mr. Hamilton without being sensible of its clearness and convincing power. It may easily be that were he arguing the question now he would put less stress upon the equality of legal tender power in the two metals as evidence of an intention to attach the money unit to both of them. But the argument carried great force and cogency in the then state of monetary knowledge and experience. It was doubtless taken for granted by Hamilton, for Adam Smith had declared it only fifteen years before, that in all countries only the measure of value money was legal tender. That Jefferson was in substantial unity with his reasoning, and his conclusions adds distinctly to the credit of both. No two voices in all the land were more potential than theirs, and when united, as

they were on the "double basis" of our money unit, it is hardly permissible to believe that their counsel was disregarded by Congress in legislating upon the subject.

CONCLUSION.

And therefore, at whatever conclusion others may arrive from an equally sincere consideration of the same data, I am of opinion that the reasoning of the fathers, the earliest consideration given the subject by Congress, the terms of the Coinage Act of 1792, their logical and grammatical construction, and the antecedent probability that the conclusions of Hamilton and Jefferson were intended to be embodied in the law, all unite to constitute an impregnable body of evidence in support of the view that the act was intended to attach the money unit to gold and silver alike. That 24¾ grains of fine gold and 371¼ grains of fine silver, coined or uncoined, each equal in value to the Spanish milled dollar constituted our money unit, to be known by the denomination of "dollar" or "unit" (the words being used interchangeably), in the terms of which all values were thereafter to be expressed; that the given weight of one metal and the given weight of the other, were alike the sensible objects answering the ideal unit; were equal in value, equal in legal tender power, and possessed an equally incontestable title to the honor of being the basis of our money unit under the bimetallic system which the genius of Hamilton, the philosophy of Jefferson and the wise statesmanship of their cotemporaries established more than a hundred years ago.